



# Shopping for Phone Service



## OUCS Consumer Fact Sheet

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### Quick Facts:

- ◆ Consumers have a growing number of options for telephone service, whether long distance or local, landline or cellular.
- ◆ Shopping for telephone service may save you money.
- ◆ The key to shopping is to know your needs and find the solution or solutions that best meet them.

For most of the 20<sup>th</sup> Century, telephone service in the United States was offered by a few regulated companies with monopoly territories. In the 1980s, consumers began having a choice of competing long distance carriers as well as competing wireless/cellular phone providers. The passage of the federal Telecommunications Act of 1996 has led - slowly - to a number of competing local landline service providers for many Hoosiers as well.

In the evolving telephone marketplace, you may save money by knowing your options and shopping for the service or services that best fit your needs. Finding the right provider(s) or plan(s) for you can take time, but is also worth the effort.

### Know Your Needs

Begin shopping for telephone service by assessing your needs and reviewing your existing telephone bills. Closely review:

- The average number of calls you make or receive each month;
- The average duration of the calls you make or receive;
- The time of day you make or receive most calls;
- The people and places you call;
- The location(s) from which you make or need to receive calls; and
- The amount of money you want to spend for phone services.

### Know Your Options

Once you understand your telephone usage pattern, consider the various options:

- Traditional telephone service, cellular (wireless) service, or both?
- Your current local service provider or a competing provider (if available)?
- Bundled local and long distance service, or separate providers of local and long distance services?
- A single provider for long distance service, or multiple providers based on the best price for specific types of long distance calls (such as in-state, out of state or international)?
- Phone services billed based on usage or pre-paid services?

### Evaluate Your Options

Match your needs with available options to determine your costs and the various pros and cons. Select the providers and plans that best fit your needs. Make sure to:

- Request written information so there is no misunderstanding.
- Ask questions about anything you don't understand.

### Long Distance Choices

You can choose one or more competing companies or products for your long distance service. For example, depending on your needs, you could have separate providers or products based on the:

- 1) Type of call made.
  - "Local" long distance. (In-state calls within your regional calling area, or "Intra-LATA" calls. LATA, or Local Access Transport Area, is the technical term for a regional calling area. Indiana has 10 such areas.)
  - In-state calls outside your regional calling area (or "Inter-LATA" calls).
  - State-to-state calls.
  - International calls.
- 2) Way you make the call (direct dial, dial-around, calling card, etc.).
- 3) Location you call from (home, work, payphone, mobile, etc.).

Your options include:

- A "preferred" long-distance company (dial 1+ number).
- A 10-10 dial-around number provider (dial 10+10+ carrier code + number).
- A prepaid phone card (dial provider's toll-free number + card id + number).
- Cellular phone service (many plans now include "free" long distance with certain restrictions).
- Calling card or Operator Assisted Calls, such as collect calls (generally among the most expensive options).

You may find that one company or service gives you the best rate for state-to-state calls, but another offers the best rate for local long distance calls and yet another offers the best rate for international calls. **Shop for the best deal based on your needs.**

### Local Choices

The market for local telephone service is slowly evolving from its traditional monopoly status into a competitive marketplace. As the new market evolves, more consumers throughout Indiana are beginning to have one or more alternatives for local phone service.

A common theme among new local market competitors is to offer unlimited local and long distance service for a monthly flat rate. All consumers, including those who consider signing up for these plans and those who don't, should carefully assess their needs and know their calling patterns.

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An unlimited flat-rate plan for all phone service may especially benefit consumers who make large amounts of long distance calls, want convenience or prefer to have a number of “optional” services (such as caller ID, call waiting, etc.). However, a consumer who wants to invest the time and effort into additional shopping may be able to save even more by using a combination of plans and service options (as listed above).

Other consumers, especially those who primarily use cellular phones or prepaid calling cards for most long distance needs and those who make few long distance calls at all, may find that an unlimited local and long distance flat-rate plan would cost more than what they currently pay.

## Shopping Suggestions

There are many factors one can consider when shopping for telephone service. Which factors you choose to consider and the weight you place on each will depend on your specific needs.

### Rates

- Ask what the per minute rates are for different times of the day and for different days of the week.
- Ask about specific rates for the various types of long distance calls (state-to-state, in-state, “local” long distance, international). Rates for all of these calls can vary considerably.
- If a certain number of minutes is bundled into a monthly charge (cellular service or bundled local and long distance service), ask about the charge for any minutes used above the “packaged” amount. It is often much higher than the “packaged” minute fee.

### Monthly Charge/Monthly Minimum Usage Charge

- Ask what, if any, monthly charge is required for service, and what services and amounts of usage are included in the monthly charge.
- Ask whether you pay this monthly charge even if you actually make little or no use of the service in a certain month.

### Per Call Minimum Charges

- Certain 10-10 dial-around numbers or pre-paid calling cards charge you a fee simply to place a call. Ask for and read a provider’s written material carefully before using the service.

### Per Call Minimum Talk Times

- Certain 10-10 dial-around numbers or pre-paid calling cards require you to pay for a minimum amount of minutes per call. (For example: If a company charges you 99 cents for up to 20 minutes of talk time, you will be billed 99 cents whether you talk for one, five, 15 or 20 minutes.)

### Universal Service Fund Fee

- Federal law requires telephone companies to contribute to the Universal Service Fund (USF), which provides telephone service to certain rural and low-income customers. It also provides discounts on telecommunications services and Internet access for eligible schools, libraries and rural health care providers.

- Companies are not required to recover this contribution through a separate charge to customers, but some do. Some companies simply include their USF obligations in their basic rates or charges, while others charge either a separate, flat USF fee or a fee based on a percentage of your charges.

### Rounding

- Different companies account for your phone usage in different time increments, ranging from six seconds to 60 seconds. (For example: If your company bills in 60-second increments and you make a call lasting 4 minutes and 2 seconds, you will be charged for 5 minutes.)

### Customer Service

- Find out if the company’s customer service employees are accessible, helpful and available when you need them.

### Billing Arrangements

- Phone providers may allow you to choose how and when you are billed for your service but may assess a fee for a particular option. (For example: A long distance company may bill you either through your local phone bill or by sending a separate bill.)
- Some companies offer special low rates or discounts for direct credit card billing and offer your bill for review only over the Internet (saving the printing and mailing costs involved with a traditional bill). Others may offer discounts for less frequent and less detailed bills.

### Miscellaneous Charges

- Ask about any and all other charges that will or could appear on your account, including late fees and any applicable taxes.

## Prepaid Calling Cards & Cellular Service

For more information about pre-paid calling cards, please read “Prepaid Telephone Calling Cards: Questions You Should Ask,” an OUCC consumer fact sheet.

Cellular telephone service is offered in a competitive market and, as a result, is largely unregulated at the state level. Unless pre-paid service is chosen, cellular plans generally require long-term contracts. The OUCC urges consumers to carefully read any contract before signing, especially the fine print. The OUCC also recommends that consumers read the FCC brochure, “What You Should Know About Wireless Phone Service.” This publication is available on the Internet at [www.fcc.gov/cgb/wirelessphone.pdf](http://www.fcc.gov/cgb/wirelessphone.pdf).

## Other Resources

The OUCC does not endorse specific calling plans or providers. However, a number of Websites can help consumers examine their phone bills and research telephone service providers and plans. Links to some of these sites are included on the OUCC Website.

Qualified low-income consumers can establish and maintain basic phone service with help from the Lifeline and Link-Up federal subsidies. Local phone companies and the OUCC can provide more information.

**The Indiana Office of Utility Consumer Counselor (OUCC) is the state agency that represents the interests of all utility consumers and the general public in matters related to the provision of utility services. The agency is active in proceedings before regulatory and legal bodies, and committed to giving consumers a voice in the creation of utility service policy.**